

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2013

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Ruthven-Ayrshire Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
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Board of Education

(Before September 2013 Election)

Barry Fischer	President	2015
Tracey Enderson	Vice President	2013
Larry Conolon	Board Member	2013
Kate Meyer	Board Member	2015
Susan Sikora	Board Member	2015
Tammy Chapman	Board Member	2015
Ray Grandstaff	Board Member	2013

(After September 2013 Election)

Susan Sikora	President	2017
Tracey Enderson	Vice President	2013
Larry Conolon	Board Member	2013
Kate Meyer	Board Member	2015
Ray Grandstaff	Board Member	2013
Bruce Long	Board Member	2017
Darin Malm	Board Member	2017

School Officials

Andrew Woiwood	Superintendent	2013
Michelle Dowd	District Secretary/Treasurer	Indefinite
Steve Avery	Attorney	Indefinite



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Ruthven-Ayrshire Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ruthven-Ayrshire Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014 on our consideration of Ruthven-Ayrshire Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ruthven-Ayrshire Community School District's internal control over financial reporting and compliance.

Schnurr & Company, LLP

Fort Dodge, Iowa
January 6, 2014

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ruthven-Ayrshire Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,035,004 in fiscal year 2012 to \$3,104,891 in fiscal year 2013, while General Fund expenditures increased from \$2,813,345 in fiscal year 2012 to \$2,826,801 in fiscal year 2013. This District's General Fund balance increased from \$343,326 at the end of fiscal year 2012 to \$622,267 at the end of fiscal year 2013, an 81% increase.
- The fiscal year 2013 General Fund revenue increase was attributable to increases in property tax and tuition revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the negotiated salaries and benefits were less than the District's increase in General Fund revenue for fiscal year 2013. As a result, the District saved a portion of the current year General Fund salaries and benefits to carryover in the fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earning in the General Fund alone decreasing from \$3,560 in fiscal year 2012 to \$2,128 in fiscal year 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Ruthven-Ayrshire Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (Continued)

Reporting the District's Financial Activities (continued)

Fund Financial Statements (continued)

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-1 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-2013	
Assets:								
Current and other assets	\$ 3,854,749	\$ 3,373,435	\$ 24,178	\$ 39,882	\$ 3,878,927	\$ 3,413,317		13.6%
Capital assets, net of accumulated depreciation	894,085	779,582	25,209	10,944	919,294	790,526		16.3%
Total assets	4,748,834	4,153,017	49,387	50,826	4,798,221	4,203,843		14.1%
Liabilities:								
Long-term liabilities	363,342	330,702	-	-	363,342	330,702		9.9%
Other liabilities	1,878,792	1,768,702	2,595	2,569	1,881,387	1,771,271		6.2%
Total liabilities	2,242,134	2,099,404	2,595	2,569	2,244,729	2,101,973		6.8%
Net Position:								
Invested in capital assets, net of related debt	894,085	779,582	25,209	10,944	919,294	790,526		16.3%
Restricted	1,345,759	1,069,007	-	-	1,345,759	1,069,007		25.9%
Unrestricted	266,856	205,024	21,583	37,313	288,439	242,337		19.0%
Total net position	\$ 2,506,700	\$ 2,053,613	\$ 46,792	\$ 48,257	\$ 2,553,492	\$ 2,101,870		21.5%

The District's total net position increased 22%, or \$451,622, from the prior year. The largest portion of the District's net position is restricted for capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$276,752, or 26%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$46,102, or 19%. This increase in unrestricted net position was primarily a result of the District's net OPEB and termination of benefits liability recorded in the current year.

Figure A-2 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012:

Figure A-2 Changes in Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2013	2012	2013	2012	2013	2012	2012-2013	
Revenues:								
Program revenues:								
Charges for service	\$ 312,667	\$ 270,578	\$ 49,348	\$ 58,102	\$ 362,015	\$ 328,680	10.1%	
Operating grants, contributions	455,954	466,420	67,609	65,985	523,563	532,405	-1.7%	
Capital grants & contributions	55,422	43,195	-	-	55,422	43,195	28.3%	
General revenues:								
Property tax	1,633,426	1,484,960	-	-	1,633,426	1,484,960	10.0%	
Statewide sales, services and use tax	211,761	316,916	-	-	211,761	316,916	-33.2%	
Unrestricted state grants	955,224	983,783	-	-	955,224	983,783	-2.9%	
Unrestricted investment earnings	5,354	5,758	5	8	5,359	5,766	-7.1%	
Other	3,351	4,415	-	-	3,351	4,415	-24.1%	
Total revenues	3,633,159	3,576,025	116,962	124,095	3,750,121	3,700,120	1.4%	
Program expenses:								
Instruction	2,260,407	2,259,323	-	-	2,260,407	2,259,323	0.0%	
Student support services	766,443	721,356	-	-	766,443	721,356	6.3%	
Non-instructional programs	-	-	118,427	121,999	118,427	121,999	-2.9%	
Other expenses	153,222	275,089	-	-	153,222	275,089	-44.3%	
Total expenses	3,180,072	3,255,768	118,427	121,999	3,298,499	3,377,767	-2.3%	
Increase (decrease) in net position	453,087	320,257	(1,465)	2,096	451,622	322,353	40.1%	
Net position beginning of year	2,053,613	1,733,356	48,257	46,161	2,101,870	1,779,517	18.1%	
Net position end of year	\$ 2,506,700	\$ 2,053,613	\$ 46,792	\$ 48,257	\$ 2,553,492	\$ 2,101,870	21.5%	

In fiscal year 2013, property tax and unrestricted state grants accounted for 71% of governmental activities revenue while charges for service and operating grants and contributions accounted for 99.9% of business type activities revenue. The District's total revenues were approximately \$3.8 million, of which approximately \$3.6 million was for governmental activities and less than \$200 thousand was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 1.4% increase in revenues and a 2.3% decrease in expenses. Property tax increased \$148,466 or 10%. The decrease in expenses is related to decreases in expenditures related to facilities acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Revenues for governmental activities were \$3,633,159 and expenses were \$3,180,072 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-3 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instructional	\$ 2,260,407	\$ 2,259,323	0.0%	\$ 1,611,830	\$ 1,625,911	-0.9%
Support	766,443	721,356	6.3%	747,642	718,083	4.1%
Other expenses	153,222	275,089	-44.3%	(3,443)	131,581	-102.6%
Total	\$ 3,180,072	\$ 3,255,768	-2.3%	2,356,029	\$ 2,475,575	-4.8%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$312,667.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$511,376.
- The net cost of governmental activities was financed with \$1,845,187 in property and other taxes and \$955,224 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$116,962, representing a 6% decrease over the prior year, while expenses totaled \$118,427, a 3% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, state reimbursement and investment income.

During the year ended June 30, 2013, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund; however, the District's enrollment decreased by six students so overall charges for services decreased in the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, Ruthven-Ayrshire Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,853,296, well above last year's ending fund balances of \$1,486,185. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2013 is due to approximately \$157,156 decrease in expenditures relating to facility acquisitions in fiscal year 2013.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. The increase in revenues combined with a decrease in General Fund expenditures, allows the District to carryover a fund balance to meet its financial obligations during the next year.
- The General Fund balance increased from \$343,326 to \$622,267 due, in part, to the negotiated salaries and benefits and managing existing expenditure commitments of the District.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Project Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance decreased from \$476,806 at June 30, 2012 to \$382,646 at June 30, 2013. This was due to increased expenditures related to the acquisition of a new school bus during the fiscal year.
- The Statewide Sales, Services and Use Tax fund balance increased from \$485,558 at June 30, 2012 to \$652,498 at June 30, 2013.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$48,257 at June 30, 2012 to \$46,792 at June 30, 2013, representing a decrease of approximately 3%. For fiscal year 2013, the District increased meal prices, resulting in increased revenues. This change however did not result in an increase in meals served or related increase in revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its budget once to reclassify expenditures among functions. The budgeted total expenditure amount did not change.

The District's total revenues were \$43,686 less than total budgeted revenues, a variance of less than 1.2%. Even though local tax revenue increased in fiscal year 2013, a reduction in state resources caused the total amount received to be less than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$919,294, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 16% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation/amortization expense for the year was \$115,766.

The original cost of the District's capital assets was approximately \$2,560,868. Governmental funds account for approximately \$2,475,087, with the remainder of approximately \$85,781 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$1,049,069 at June 30, 2013, compared to \$979,973 reported at June 30, 2012. This significant increase resulted from the purchase of a school bus.

Figure A-4								
Assets, Net of Depreciation								
Governmental Activities			Business Type Activities			Total District		Total
June 30,			June 30,			June 30,		June 30,
2013			2012			2013		2012-2013
Land	\$	10,567	\$	10,567	\$	-	\$	0%
Buildings		518,935		461,261		518,935		13%
Improvements other than buildings		70,124		75,167		70,124		-7%
Furniture and equipment		294,459		232,587		319,668		31%
Total	\$	894,085	\$	779,582	\$	25,209	\$	10,944
								16.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

At June 30, 2013, the District had \$363,342 in total long-term debt outstanding. This represents an increase of approximately 10% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-5			
Outstanding Long-term Obligations			
	Total School District		Percentage Change
	2013	2012	2012-2013
Compensated absences	\$ 1,875	\$ 282	564.9%
Early retirement	294,666	274,224	7.5%
Net OPEB liability	66,801	56,196	18.9%
Total	\$ 363,342	\$ 330,702	9.9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Ruthven-Ayrshire County has advised the District its total taxable valuation will increase 5.1% for property tax collected in fiscal year 2014 due to the recent completion of property revaluation assessments.
- The District expects a slight decrease in enrollment due to open enrollments.
- The District continues to share academic staff with Spencer Community School District. The District currently shares all athletic programs with Graettinger-Terrill Community School District. Along with partial day sharing (grades 9-12 for 5 periods per day) of students with Graettinger-Terrill Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Dowd, District Treasurer and Business Manager, Ruthven-Ayrshire Community School District, 1235 5th Avenue South, Fort Dodge, Iowa 50501.

BASIC FINANCIAL STATEMENTS

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

Year Ended June 30, 2013

See notes to financial statements.

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 162,953	\$ -	\$ 162,953
Salaries and benefits payable	219,047	26	219,073
Deferred revenue:			
Succeeding year property tax	1,496,792	-	1,496,792
Other	-	2,569	2,569
Long-term liabilities:			
Portion due or payable within one year:			
Termination benefits	60,573	-	60,573
Compensated absences	1,875	-	1,875
Portion due or payable after one year:			
Net OPEB liability	66,801	-	66,801
Termination benefits	234,093	-	234,093
Total liabilities	2,242,134	2,595	2,244,729
Net Position			
Invested in capital assets, net of related debt	894,085	25,209	919,294
Restricted for:			
Categorical funding	114,730	-	114,730
Management levy purposes	153,002	-	153,002
Student activities	42,883	-	42,883
Physical plant and equipment	382,646	-	382,646
School infrastructure	652,498	-	652,498
Unrestricted	266,856	21,583	288,439
Total net position	2,506,700	46,792	2,553,492
Total liabilities and net position	\$ 4,748,834	\$ 49,387	\$ 4,798,221

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
			and Restricted	and Restricted
			Interest	Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,630,375	\$ 232,583	\$ 264,032	\$ -
Special instruction	448,447	12,332	31,326	-
Other instruction	181,585	48,951	59,353	-
	<u>2,260,407</u>	<u>293,866</u>	<u>354,711</u>	<u>-</u>
Support services:				
Student	22,450	-	-	-
Instructional staff	27,043	-	-	-
Administration	365,335	-	-	-
Operation and maintenance				
of plant	178,127	18,801	-	-
Transportation	173,488	-	-	-
	<u>766,443</u>	<u>18,801</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	12,604	-	-	55,422
AEA flowthrough	101,243	-	101,243	-
Depreciation (unallocated)*	39,375	-	-	-
	<u>153,222</u>	<u>-</u>	<u>101,243</u>	<u>55,422</u>
Total governmental activities	<u>3,180,072</u>	<u>312,667</u>	<u>455,954</u>	<u>55,422</u>
Business type activities:				
Non-instructional programs:				
Food service operations	118,427	49,348	67,609	-
Total business type activities	<u>118,427</u>	<u>49,348</u>	<u>67,609</u>	<u>-</u>
Total	<u>\$ 3,298,499</u>	<u>\$ 362,015</u>	<u>\$ 523,563</u>	<u>\$ 55,422</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,133,760)	\$ -	\$ (1,133,760)
(404,789)	-	(404,789)
(73,281)	-	(73,281)
(1,611,830)	-	(1,611,830)
(22,450)	-	(22,450)
(27,043)	-	(27,043)
(365,335)	-	(365,335)
(159,326)	-	(159,326)
(173,488)	-	(173,488)
(747,642)	-	(747,642)
42,818	-	42,818
-	-	-
(39,375)	-	(39,375)
3,443	-	3,443
(2,356,029)	-	(2,356,029)
-	(1,470)	(1,470)
-	(1,470)	(1,470)
(2,356,029)	(1,470)	(2,357,499)

(Continued on next page)

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	Program Revenues		
		Operating Grants and Contributions and Restricted Interest	Capital Grants and Contributions and Restricted Interest
Expenses	Charges for Services		
General Revenues:			
Property taxes, levied for:			
General purposes			
Debt service			
Capital outlay			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			

* This amount excludes the depreciation included in the direct expenses of various programs.

See notes to financial statements.

Exhibit B
(Continued)

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ 1,395,936	\$ -	\$ 1,395,936
99,532	-	99,532
137,958	-	137,958
211,761	-	211,761
955,224	-	955,224
5,354	5	5,359
3,351	-	3,351
2,809,116	5	2,809,121
453,087	(1,465)	451,622
2,053,613	48,257	2,101,870
\$ 2,506,700	\$ 46,792	\$ 2,553,492

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET

Governmental Funds

Year Ended June 30, 2013

		General	Capital Projects
	Assets		
Cash		\$ 849,174	\$ 996,185
Receivables:			
Property tax:			
Delinquent		12,650	1,007
Succeeding year		1,141,687	105,105
Accounts		12,536	-
Income surtax		122,661	-
Due from other governments		100,318	53,158
Total assets		\$ 2,239,026	\$ 1,155,455
	Liabilities and Fund Balances		
Liabilities:			
Accounts payable		\$ 135,004	\$ 15,206
Salaries and benefits payable		217,407	-
Deferred revenue:			
Succeeding year property tax		1,141,687	105,105
Other		122,661	-
Total liabilities		1,616,759	120,311
Fund balances:			
Restricted for:			
Categorical funding		114,730	-
Management levy purposes		-	-
Student activities		-	-
School infrastructure		-	652,498
Physical plant and equipment		-	382,646
Unassigned		507,537	-
Total fund balances		622,267	1,035,144
Total liabilities and fund balances		\$ 2,239,026	\$ 1,155,455

See notes to financial statements.

Exhibit C

Nonmajor	Total
\$ 208,837	\$ 2,054,196
1,431	15,088
250,000	1,496,792
-	12,536
-	122,661
-	153,476
\$ 460,268	\$ 3,854,749

\$ 12,743	\$ 162,953
1,640	219,047
250,000	1,496,792
-	122,661
264,383	2,001,453

-	114,730
153,002	153,002
42,883	42,883
-	652,498
-	382,646
-	507,537
195,885	1,853,296
\$ 460,268	\$ 3,854,749

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**Exhibit D****RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2013**

Total governmental fund balances (page 16) \$ 1,853,296

*Amounts reported for governmental activities in the Statement of
Net Position are different because:*

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported as assets in governmental funds. 894,085

Long-term assets are not available to pay current period expenditures and,
therefore, are deferred in the governmental funds. 122,661

Long-term liabilities, including compensated absences and early retirement
obligations are not due and payable in the current period and, therefore, are not
reported as a liability in the governmental funds. (296,541)

The Net OPEB Liability is not due and receivable in the current period and,
therefore, not reported in the government funds. (66,801)

Net position of governmental activities (page 13) \$ 2,506,700

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2013

	General	Capital Projects
Revenues:		
Local sources:		
Local tax	\$ 1,388,376	\$ 311,292
Tuition	189,277	-
Other	116,069	18,344
Intermediate sources	136	-
State sources	1,304,352	60
Federal sources	106,681	-
Total revenues	3,104,891	329,696
Expenditures:		
Current:		
Instruction:		
Regular	1,479,902	48,004
Special	447,224	-
Other	121,485	-
	2,048,611	48,004
Student support services:		
Student	22,450	-
Instructional staff	26,979	-
Administration	341,107	-
Operation and maintenance of plant	158,938	1,227
Student transportation	127,473	90,612
	676,947	91,839
Other expenditures:		
Facilities acquisition	-	119,573
AEA flowthrough	101,243	-
	101,243	119,573
Total expenditures	2,826,801	259,416
Excess of revenues over expenditures	278,090	70,280

Exhibit E

Nonmajor	Total
\$ 141,406	\$ 1,841,074
-	189,277
49,617	184,030
-	136
85	1,304,497
-	106,681
191,108	3,625,695

32,078	1,559,984
-	447,224
56,089	177,574
88,167	2,184,782

-	22,450
-	26,979
39,657	380,764
25,592	185,757
22,302	240,387
87,551	856,337

-	119,573
-	101,243
-	220,816
175,718	3,261,935

15,390	363,760
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(Continued on next page)

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES

Governmental Funds

Year Ended June 30, 2013

	General	Capital Projects
Excess of revenues over expenditures	\$ 278,090	\$ 70,280
Other financing sources:		
Sale of real property	851	2,500
Total other financing sources	851	2,500
Change in fund balances	278,941	72,780
Fund balances, beginning of year	343,326	962,364
Fund balances, end of year	<u>\$ 622,267</u>	<u>\$ 1,035,144</u>

See notes to financial statements.

Exhibit E
(Continued)

Nonmajor	Total
\$ 15,390	\$ 363,760
-	3,351
-	3,351
15,390	367,111
180,495	1,486,185
\$ 195,885	\$ 1,853,296

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**Exhibit F****RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
Governmental Funds to the Statement of Activities
Year Ended June 30, 2013**

Change in fund balances - total governmental funds (page 19) \$ 367,111

*Amounts reported for governmental activities in the Statement
of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 226,841	
Depreciation expense	<u>(112,338)</u>	114,503

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues and is deferred in the governmental funds.

4,113

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	(20,442)	
Compensated absences	(1,593)	
Other postemployment benefits	<u>(10,605)</u>	(32,640)

Change in net position of governmental activities (page 15) \$ 453,087

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**Exhibit G****STATEMENT OF NET POSITION****Proprietary Funds****Year Ended June 30, 2013**

	School Nutrition
Assets	
Current assets:	
Cash	\$ 21,619
Accounts receivable	60
Inventories	2,499
Total current assets	24,178
Noncurrent assets:	
Capital assets, net of accumulated depreciation	25,209
Total noncurrent assets	25,209
Total assets	\$ 49,387
Liabilities	
Current liabilities:	
Salary and benefits payable	\$ 26
Unearned revenue	2,569
Total current liabilities	2,595
Net Position	
Investment in capital assets	25,209
Unrestricted	21,583
Total net position	\$ 46,792

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**Exhibit H****STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION****Proprietary Fund****Year ended June 30, 2013**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 49,348</u>
Non-instructional programs:	
Food service operations:	
Salaries	39,669
Benefits	6,384
Purchased services	60,873
Supplies	8,073
Depreciation	<u>3,428</u>
Total operating expenses	<u>118,427</u>
Operating (loss)	<u>(69,079)</u>
Non-operating revenues:	
State sources	1,142
Federal sources	66,467
Interest income	<u>5</u>
Total non-operating revenues	<u>67,614</u>
(Decrease) in net position	(1,465)
Net position beginning of year	<u>48,257</u>
Net position end of year	<u><u>\$ 46,792</u></u>

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT**Exhibit I****STATEMENT OF CASH FLOWS****Proprietary Funds****Year ended June 30, 2013**

	School Nutrition
Cash Flows from Operating Activities:	
Cash received from sale of lunches and breakfasts	\$ 49,348
Cash paid to employees for services	(46,027)
Cash paid to suppliers for goods or services	(65,080)
Net cash (used in) operating activities	(61,759)
Cash Flows from Non-capital Financing Activities:	
State grants received	1,142
Federal grants received	61,943
Net cash provided by non-capital financing activities	63,085
Cash flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(17,693)
Net cash (used in) capital and related financing activities	(17,693)
Cash Flows from Investing Activities:	
Interest on investments	5
Net cash provided by investing activities	5
Net (decrease) in cash and cash equivalents	(16,362)
Cash beginning of year	37,981
Cash end of year	\$ 21,619
Reconciliation of operating (loss) to net cash (used in) operating activities:	
Operating (loss)	\$ (69,079)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Commodities used	4,524
Depreciation	3,428
Increase in inventories	(658)
Increase in salaries and benefits payable	26
Net cash (used in) operating activities	\$ (61,759)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$4,524 of federal commodities.

See notes to financial statements.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Ruthven-Ayrshire Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Ruthven and Ayrshire, Iowa and the predominate agricultural territory in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Ruthven-Ayrshire Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Ruthven-Ayrshire Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued):

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and other accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued):

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (Continued):

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property and furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (Continued):

Capital Assets (continued) – Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Improvements other than buildings	20-50
Furniture and equipment	5-15

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measureable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it was levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Obligation – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (Continued):

Fund Equity (continued) –

Committed – Amounts that can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash

The District's deposits in banks at June 30, 2013, were entirely covered by Federal depository insurance or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,567	\$ -	\$ -	\$ 10,567
Total capital assets not being depreciated	10,567	-	-	10,567
Capital assets being depreciated:				
Buildings	1,109,824	92,007	-	1,201,831
Improvements other than buildings	213,620	-	-	213,620
Furniture and equipment	979,973	134,834	65,738	1,049,069
Total capital assets being depreciated	2,303,417	226,841	65,738	2,464,520
Less accumulated depreciation for:				
Buildings	648,563	34,333	-	682,896
Improvements other than buildings	138,453	5,043	-	143,496
Furniture and equipment	747,386	72,962	65,738	754,610
Total accumulated depreciation	1,534,402	112,338	65,738	1,581,002
Total capital assets being depreciated, net	769,015	114,503	-	883,518
Governmental activities capital assets, net	\$ 779,582	\$ 114,503	\$ -	\$ 894,085
Business type activities:				
Furniture and equipment	\$ 68,088	\$ 17,693	\$ -	\$ 85,781
Less accumulated depreciation	57,144	3,428	-	60,572
Business type activities capital assets, net	\$ 10,944	\$ 14,265	\$ -	\$ 25,209

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 46,793
Other	2,887
Support services:	
Administration	696
Operation and maintenance of plant	1,280
Transportation	21,307
	72,963
Unallocated	39,375
Total governmental activities - depreciation expense	\$ 112,338
Business type activities:	
Food service operations	\$ 3,428

NOTES TO FINANCIAL STATEMENTS

Note 4. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 282	\$ 1,875	\$ 282	\$ 1,875	\$ 1,875
Termination benefits	274,224	76,879	56,437	294,666	60,573
Net OPEB liability	56,196	10,605	-	66,801	-
Total	\$ 330,702	\$ 89,359	\$ 56,719	\$ 363,342	\$ 62,448

Termination Benefits:

The District offers a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2013, the District has an obligation to 5 participants. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$56,437.

Note 5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$122,386, \$119,522 and \$111,994 respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Note 6. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan that provides medical and prescription drug benefits for employees, retirees and their spouses. There are 19 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 46,353
Interest on net OPEB obligation	1,405
Adjustment to annual required contribution	(7,174)
Annual OPEB cost	<u>40,584</u>
Contributions made	<u>(29,979)</u>
Increase in net OPEB obligation	10,605
Net OPEB obligation beginning of year	<u>56,196</u>
Net OPEB obligation end of year	<u>\$ 66,801</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$29,979 to the medical plan. Plan members eligible for benefits contributed \$8,273, or 21% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OBEP Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 18,625	1%	\$ 36,448
2012	20,650	4%	56,196
2013	40,584	74%	66,801

NOTES TO FINANCIAL STATEMENTS

Note 6. Other Postemployment Benefit (OPEB) (Continued)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$270,743, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$270,743. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,552,000 and the ratio of the UAAL to covered payroll was 17.4%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$670 per month for retirees less than age 65 and for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 8. Area Education District

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$101,243 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Mentoring	\$ 526
Teacher salary supplement	18,948
Core curriculum	4,829
At risk	4,507
Drop out prevention	67,546
Gifted and talented	18,374
Total	\$ 114,730

Note 10. Lease Commitments

The District leases a copy machine under a noncancellable agreement requiring monthly payments of \$935 and expiring in September, 2015. The total future minimum rental commitment at June 30, 2013, is due as follows:

Year Ending June 30,	Amount
2014	\$ 11,220
2015	11,220
2016	2,805
Thereafter	-
	\$ 25,245

Total rental expense for the year ended June 30, 2013 was \$12,155.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 2,214,381	\$ 49,353	\$ 2,263,734
Intermediate sources	136	-	136
State sources	1,304,497	1,142	1,305,639
Federal sources	106,681	66,467	173,148
Total revenues	3,625,695	116,962	3,742,657
Expenditures/Expenses:			
Current:			
Instruction	2,184,782	-	2,184,782
Support services	856,337	-	856,337
Non-instructional programs	-	118,427	118,427
Other expenditures	220,816	-	220,816
Total expenditures/expenses	3,261,935	118,427	3,380,362
Excess (deficit) of revenues over (under) expenditures/expenses	363,760	(1,465)	362,295
Other financing sources, net	3,351	-	3,351
Excess (deficit) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	367,111	(1,465)	365,646
Balance, beginning of year	1,486,185	48,257	1,534,442
Balance, end of year	\$ 1,853,296	\$ 46,792	\$ 1,900,088

See accompanying independent auditor's report.

Budget		Final to Actual Variance Favorable (Unfavorable)
Original	Final	
\$ 2,243,228	\$ 2,243,228	\$ 20,506
4,200	4,200	(4,064)
1,372,305	1,372,305	(66,666)
166,610	166,610	6,538
3,786,343	3,786,343	(43,686)

2,417,000	2,317,000	132,218
907,000	907,000	50,663
135,000	135,000	16,573
287,030	387,030	166,214
3,746,030	3,746,030	365,668

40,313	40,313	(321,982)
-	-	3,351

40,313	40,313	325,333
1,326,035	1,326,035	208,407
\$ 1,366,348	\$ 1,366,348	\$ 533,740

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING **Year ended June 30, 2013**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$0, but reclassifying functional expenses in the amount of \$100,000 from instruction to other expenses.

During the year ended June 30, 2013, expenditures did not exceeded the amounts budgeted and the District did not exceeded its General Fund unspent authorized budget.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress For The Retiree Health Plan Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	\$ -	\$ 123,429	\$ 123,429	0.00	\$ 750,000	16.5%
2011	July 1, 2009	-	129,474	129,474	0.00	1,160,000	11.2%
2012	July 1, 2009	-	135,296	135,296	0.00	930,000	13.9%
2013	July 1, 2012	-	270,743	270,743	0.00	1,552,000	17.4%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2013

		Special Revenue Funds		
		Management	Student	
		Levy	Activity	Total
Assets				
Cash		\$ 153,211	\$ 55,626	\$ 208,837
Receivables:				
Property tax:				
Delinquent		1,431	-	1,431
Succeeding year		250,000	-	250,000
Total assets		\$ 404,642	\$ 55,626	\$ 460,268
Liabilities and Fund Balances				
Liabilities:				
Accounts payable		\$ -	\$ 12,743	\$ 12,743
Salaries and benefits payable		1,640	-	1,640
Deferred revenue:				
Succeeding year property tax		250,000	-	250,000
Total liabilities		251,640	12,743	264,383
Fund balances:				
Restricted for:				
Management levy purposes		153,002	-	153,002
Student activities		-	42,883	42,883
Total fund balances		153,002	42,883	195,885
Total liabilities and fund balances		\$ 404,642	\$ 55,626	\$ 460,268

See accompanying independent auditor's report.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 141,406	\$ -	\$ 141,406
Other	4,184	45,433	49,617
State sources	85	-	85
Total revenues	145,675	45,433	191,108
Expenditures:			
Current:			
Instruction:			
Regular	32,078	-	32,078
Other	-	56,089	56,089
Support services:			
Administration	39,657	-	39,657
Operation and maintenance of plant	25,592	-	25,592
Student transportation	22,302	-	22,302
Total expenditures	119,629	56,089	175,718
Change in fund balances	26,046	(10,656)	15,390
Fund balances beginning of year	126,956	53,539	180,495
Fund balances end of year	\$ 153,002	\$ 42,883	\$ 195,885

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activities Accounts
Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Drama	\$ 463	\$ 694	\$ 802	\$ -	\$ 355
Speech	92	-	87	-	5
Basketball	9,863	5,708	7,340	-	8,231
Track	1,162	-	1,120	-	42
Golf	174	-	150	-	24
Football	7,821	2,004	5,059	-	4,766
Baseball	761	89	1,802	952	-
Wrestling	14	-	-	-	14
Volleyball	4,185	1,697	5,738	-	144
Softball	-	172	1,747	1,575	-
BB club	1,175	2,045	1,789	-	1,431
R/A club	1,353	4,466	2,733	-	3,086
National Honor Society	48	4,625	4,333	-	340
Music	636	-	1,096	460	-
Cheerleaders	128	847	962	-	13
Activity tickets	123	3,510	936	(2,697)	-
Book fair	597	2,109	1,971	-	735
Yearbook	10,644	4,043	2,005	(290)	12,392
Interest	-	130	130	-	-
Student council	5,584	2,813	2,808	-	5,589
Mentor club	2,570	356	-	-	2,926
Art club	649	-	-	-	649
Marketing club	1,945	1,725	2,794	-	876
Earth day fund raiser	830	318	265	-	883
Class of 2012	403	-	403	-	-
Class of 2013	2,251	100	2,090	-	261
Class of 2014	-	8,112	8,059	-	53
Class of 2015	68	-	-	-	68
Total	\$ 53,539	\$ 45,563	\$ 56,219	\$ -	\$ 42,883

See accompanying independent auditor's report.

Combining Balance Sheet
 Capital Project Accounts
 Year ended June 30, 2013

		Capital Projects		
		Statewide	Physical Plant	
		Sales, Services	and Equipment	
		and Use Tax	Levy	Total
Assets				
Cash		\$ 602,796	\$ 393,389	\$ 996,185
Receivables:				
Property tax:				
Delinquent		-	1,007	1,007
Succeeding year		-	105,105	105,105
Due from other governments		53,158	-	53,158
Total assets		\$ 655,954	\$ 499,501	\$ 1,155,455
Liabilities and Fund Balances				
Liabilities:				
Accounts payable		\$ 3,456	\$ 11,750	\$ 15,206
Deferred revenue:				
Succeeding year property tax		-	105,105	105,105
Total liabilities		3,456	116,855	120,311
Fund balances:				
Restricted for:				
School infrastructure		652,498	-	652,498
Physical plant and equipment		-	382,646	382,646
Total fund balances		652,498	382,646	1,035,144
Total liabilities and fund balances		\$ 655,954	\$ 499,501	\$ 1,155,455

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use	Physical Plant and Equipment	
	Tax	Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 211,761	\$ 99,531	\$ 311,292
Other	15,515	2,829	18,344
State sources	-	60	60
Total revenues	227,276	102,420	329,696
Expenditures:			
Instruction:			
Regular instruction	14,333	33,671	48,004
Support services:			
Operation and maintenance of plant	571	656	1,227
Student transportation	-	90,612	90,612
Other expenditures:			
Facilities acquisition	45,432	74,141	119,573
Total expenditures	60,336	199,080	259,416
Excess (deficiency) of revenues over (under) expenditures	166,940	(96,660)	70,280
Other financing sources:			
Sale of real property	-	2,500	2,500
Total other financing sources	-	2,500	2,500
Change in fund balances	166,940	(94,160)	72,780
Fund balances beginning of year	485,558	476,806	962,364
Fund balances end of year	\$ 652,498	\$ 382,646	\$ 1,035,144

See accompanying independent auditor's report.

RUTHVEN-AYRSHIRE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function All Governmental Funds For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 1,841,074	\$ 1,794,684	\$ 1,667,499	\$ 1,408,293
Tuition	189,277	176,534	207,412	209,818
Other	184,030	149,757	104,608	203,185
Intermediate sources	136	-	-	-
State sources	1,304,497	1,315,973	1,143,361	1,050,614
Federal sources	106,681	131,829	169,723	290,168
Total revenues	\$ 3,625,695	\$ 3,568,777	\$ 3,292,603	\$ 3,162,078
Expenditures:				
Instruction:				
Regular	\$ 1,559,984	\$ 1,380,009	\$ 1,553,743	\$ 1,392,253
Special	447,224	412,878	331,994	374,588
Other	177,574	425,873	316,561	442,495
Support services:				
Student	22,450	8,764	12,189	7,063
Instructional staff	26,979	30,594	29,980	25,883
Administration	380,764	325,393	309,069	309,033
Operation and maintenance	185,757	225,909	208,660	225,718
Transportation	240,387	118,837	98,824	116,069
Other expenditures:				
Facilities acquisition	119,573	276,729	89,379	234,072
AEA flowthrough	101,243	100,313	104,924	103,600
Total expenditures	\$ 3,261,935	\$ 3,305,299	\$ 3,055,323	\$ 3,230,774

See accompanying independent auditor's report.

Schedule 6

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
\$ 1,323,754	\$ 1,212,129	\$ 1,205,671	\$ 954,979	\$ 1,032,929	\$ 929,665
208,051	267,383	272,804	170,261	158,525	126,847
153,499	148,381	137,809	212,767	207,778	195,996
-	3,935	-	1,510	-	-
1,228,097	1,224,108	1,005,190	987,297	1,012,684	981,925
94,832	99,212	103,754	111,990	107,936	111,729
\$ 3,008,233	\$ 2,955,148	\$ 2,725,228	\$ 2,438,804	\$ 2,519,852	\$ 2,346,162
\$ 1,381,956	\$ 1,299,942	\$ 1,254,302	\$ 1,168,249	\$ 1,086,146	\$ 1,015,731
401,794	362,575	361,057	253,347	274,288	350,817
403,115	382,480	269,209	259,477	249,753	137,768
10,890	6,950	59,213	54,978	54,654	53,979
28,572	22,504	25,789	24,005	18,141	31,770
280,057	291,181	306,552	271,653	311,179	308,610
206,562	212,965	179,692	168,820	171,899	140,566
20,397	109,036	94,943	91,962	103,514	108,871
110,349	48,652	119,396	65,160	105,492	89,373
91,949	87,320	81,279	78,274	85,406	79,743
\$ 2,935,641	\$ 2,823,605	\$ 2,751,432	\$ 2,435,925	\$ 2,460,472	\$ 2,317,228



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of
Ruthven-Ayrshire Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ruthven-Ayrshire Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ruthven-Ayrshire Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ruthven-Ayrshire Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ruthven-Ayrshire Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ruthven-Ayrshire Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ruthven-Ayrshire Community School District's Responses to Findings

Ruthven-Ayrshire Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Ruthven-Ayrshire Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ruthven-Ayrshire Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
January 6, 2014

Ruthven-Ayrshire Community School District

**Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- II-A-13 Accounting Records – Non-routine journal entry adjustments can be made without review and approval by a responsible official.

Recommendation – The District should develop a process for making adjustments to the accounting records. All adjustments should be adequately explained and supported. Adjustments should be reviewed and approved by a responsible official.

District Response – Procedures are being changed to ensure adjustments will be approved by responsible officials.

Conclusion – Response accepted.

Instances of Non-compliance:

No matters were reported.

Part III: Other Findings Related To Required Statutory Reporting:

- III-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts.
- III-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-13 Business Transactions – No business transactions between the District and District officials or employees were noted:

**Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-13 Board Minutes – No transactions requiring board approval that had not been approved by the board were noted.
- III-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- III-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- III-I-13 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

The District adopted a depository resolution naming each depository that may hold funds for the District. However, the District exceeded the amount that may be kept on deposit at one of the banks during the year.

Recommendation – The District should review the depository resolution maximum amounts that may be kept on deposit at each depository.

District Response – We will review the maximum amounts that may be kept on deposit and adjustments if deemed necessary.

Conclusion – Response accepted.

- III-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

Recommendation – The Certified Annual Report should be amended to agree with the audit report.

District Response – If necessary, the Certified Annual Report will be amended.

Conclusion – Response accepted.

- III-K-13 Categorical Funding –No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the stateswide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 485,558
Revenues/transfers in:		
Statewide sales, services and use tax revenue	\$ 211,761	
Other	<u>15,515</u>	227,276
Expenditures/transfers out:		
School infrastructure	45,432	
Equipment	14,333	
Other	<u>571</u>	<u>60,336</u>
Ending balance		<u><u>\$ 773,170</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

- III-M-13 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation – The District should retain an image of both the front and back of each cancelled check as required.

District Response – The District will talk to the bank to obtain both the front and back of each cancelled check as required.

Conclusion – Response accepted.

**Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-N-13 Petty Cash – This District maintains a small petty cash account used primarily for postage purposes. However, the petty cash account is not recorded as part of the District's assets.

Recommendation – The District should include all assets in its financial statements.

District Response – The District will add the account to its financial statements.

Conclusion – Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ruthven-Ayrshire Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
January 6, 2014